



Recommendation for Action

File #: 21-1496, **Agenda Item #:** 42.

3/25/2021

Posting Language

Authorize negotiation and execution of a Second Amendment to the Lease Agreement between SWC Research & Ohlen, L.P., a Delaware limited partnership and City of Austin, extending the lease term for seven years, with one seven-year extension option, for the continued operation of an Austin Energy Walk-in Customer Service Center occupying approximately 4,597 square feet of retail space at Plaza FAMSA shopping center, located at 8716 Research Boulevard, in an amount not to exceed \$999,027.

Lead Department

Office of Real Estate Services.

Fiscal Note

Funding in the amount of \$44,745 is included in the Fiscal Year 2020-2021 Budget of Austin Energy. Funding for the remaining lease term is contingent upon available funding in future budgets.

Prior Council Action:

October 1, 2015, Council authorized a 60-month lease extension agreement.

April 8, 2010, Council authorized a 60-month lease agreement.

For More Information:

Megan Herron, Office of Real Estate Services, 512-974-5649; Alex Gale, Office of Real Estate Services, (512) 974-1416, Robin Cappello, Austin Energy, 512-505-3726.

Council Committee, Boards and Commission Action:

March 8, 2021 - Electric Utilities Commission will review the seven-year lease extension, with one seven-year extension option.

September 21, 2015, Electric Utilities Commission unanimously approved, on a 11-0 vote.

March 22, 2010, Electric Utilities Commission unanimously approved, on a vote of 6-0 vote.

Additional Backup Information:

Authorize the negotiation and execution of a Second Amendment to the Lease Agreement extending the term for seven years, with one seven-year extension option, between SWC Research & Ohlen, L.P., a Delaware limited partnership and City of Austin, for the continued operation of an Austin Energy Walk-in Customer Service Center, for approximately 4,597 square feet of retail space at Plaza FAMSA shopping center, located at 8716 Research Boulevard, in an amount not to exceed \$999,027.

The proposed lease extension agreement accommodates an Austin Energy Walk-in Customer Service Center in north Austin, designed to assist new and existing utility customers with services related to obtaining or maintaining City of Austin utilities including collecting payments for Austin Energy, Austin Water Utility, Austin Resource Recovery, and other utility-related fees.

This north Austin center includes office space allowing private consultation with customers and computer stations for customers to process payment transactions online. It also includes a classroom designed for customers to receive education about conservation programs and the Customer Assistance Program, or for bill dispute hearings. It is utilized for meetings with Austin Energy's Customer Care Partners including Any Baby Can, Capital Idea, Services for the Elderly, Travis County and others who work together to provide services for

utility customers. In addition, this center includes an area for display of English and Spanish language materials about conservation, cost saving measures and services offered by City utilities, and a convenient drop box for customers to make payments during and after normal hours of operation.

Austin Energy operates two other walk-in customer service facilities - one in east Austin at the Rosewood-Zaragoza Center at 2800 Webberville Rd., and the other in south Austin at 1901 W. William Cannon Dr. The walk-in customer service centers are designed to assist customers with initiation of new services, service order requests, research and analysis of utility accounts, payment arrangement set up and agency assistance for those who qualify for the Customer Assistance Program.

The extension term is for seven years, with one seven-year extension option. The proposed base rental rate for year one is \$22.55 per square foot, with annual escalations of 2% per square foot, plus operating expenses of \$6.53 per square foot for the first year, with estimated annual escalations of 4% per square foot. Operating expenses include maintenance operation and repairs of common areas, parking lot maintenance, landscaping, pest control, property taxes and insurance. The landlord has provided one month of free rent for May 2021 and City is responsible for operating expenses. Rent commences on June 1, 2021. The landlord is also providing minor repainting and counter laminate replacement improvements at no additional cost.

The cost per square foot is within the market rate per a rent study conducted by a third-party appraiser. City-owned space is the preferred recommendation for location of City Departments. Due to immediate need and the intended use of the property, a competitive market rental is the only immediately available option. This facility will provide City of Austin utility customers in north Austin a more convenient opportunity to make payments or other arrangements related to their accounts.

Time Period	Base Rent/SF (2% Annual Escalations)	Operating Expense/SF (Estimate 4% Annual Escalations)	Annual Base + Operating Expense	Monthly Base Rent	Monthly Operating Expense	Monthly Rent + Monthly Operating Expense
5/1/2021 - 5/31/2021	\$22.55	\$6.53	\$2,502	\$0.00 (OpEx only)	\$2,501.53	\$2,501.53
6/1/2021 - 4/30/2022	\$22.55	\$6.53	\$122,541	\$8,638.53	\$2,501.53	\$11,140.06
5/1/2022 - 4/30/2023	\$23.00	\$6.79	\$136,945	\$8,810.92	\$2,601.14	\$11,412.06
5/1/2023 - 4/30/2024	\$23.46	\$7.06	\$140,301	\$8,987.14	\$2,704.57	\$11,691.71
5/1/2024 - 4/30/2025	\$23.93	\$7.34	\$143,748	\$9,167.18	\$2,811.83	\$11,979.01
5/1/2025 - 4/30/2026	\$24.41	\$7.63	\$147,288	\$9,351.06	\$2,922.93	\$12,273.99
5/1/2026 - 4/30/2027	\$24.90	\$7.94	\$150,966	\$9,538.78	\$3,041.68	\$12,580.46
5/1/2027 - 4/30/2028	\$25.40	\$8.26	\$154,736	\$9,730.32	\$3,164.27	\$12,894.59
Total			\$999,027			

Strategic Outcome(s):

Economic Opportunity & Affordability.